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Report Highlights:

Provisional estimates for MY 05/06 of EU-25 grain production are 261.6 MMT, a decline of 24.4 MMT since MY 04/05, reflecting more typical yields after last years banner harvest, a 2.5% area decline following the return in set-aside obligations from 5% to 10%, as well as drought conditions in Spain and Portugal.

However, with MY 04/05 ending with significantly increased stocks, despite the re-introduction of wheat export subsidies, grain will still be plentiful in the EU in MY 05/06. Problems of excess grains in central Europe, particularly intervention stocks, will persist, the Commission may need to address EU grain policy to resolving this issue to ensure that some of this grain is shifted to either elsewhere in the EU or to third markets.

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Introduction

This report presents the grains outlook for Marketing Year (MY) 2005/06 for the European Union. On May 1, 2004, ten New Member States (NMS) joined the EU, namely, the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Please note that all data provided in this report is based on the opinion of FAS analysts based in the EU and is not official FAS data.

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Note: Data in this report is not official USDA data.

HA = Hectares

MT = Metric ton

Benelux = Belgium, the Netherlands and Luxembourg

MY = Marketing Year. The EU local marketing years used in this report are July/June, except for Corn which follows October/September and Rice which follows September/August.

Supply Demand balances are provided broken down to the EU-15 and New Member States-10 (NMS) for most commodities. Note that exports and imports for the EU-15 and NMS-10 are trade outside of that region, which includes the other block. When the data is aggregated to the EU-25 level, only trade with the rest of the world (extra-EU) is counted.

For example in MY 2003/04, EU-15 wheat imports totalled 6.303 MMT (imports from NMS-10 and extra EU-25). NMS-10 wheat imports (imports from EU-15 and extra EU-25) were 0.406 MMT. EU-25 wheat imports (imports from outside of the EU-25 only) were 6.146 MMT. EU-15 imports from the NMS-10 were 0.313 MMT while NMS-10 imports from the EU-15 were 0.250 MMT.

Executive Summary

Provisional estimates for EU-25 grain production in the 2005/06 marketing year are 261.6 MMT, a drop of 24.4 MMT from MY 04/05's 286.6 MMT. The 05/06 output reflects more typical yields in much of Europe after the excellent crops recorded in 04/05, as well as drought conditions in the Iberian Peninsula which threaten to reduce grain production there by more than a quarter.

Across the whole of the EU-25 output falls are recorded for all the main grains – wheat, down 8.1 MMT to 128.4 MMT compared to MY 04/05; Barley, down 6.7 MMT to 55.0 MMT; Corn, down 5.8 MMT to 47.2 MMT; Rye down 1.5 MMT to 8.4 MMT, as well as mixed grain down 2.0 MMT to 14.3 MMT.

As well as excellent weather conditions in much of Europe for the 04/05 harvest, the set-aside rate had also been reduced for one year from 10% to 5% following the drought reduced harvest in MY 03/04 of just 229.9 MMT. From MY 03/04 to MY 04/05, EU-25 area planted to grains increased by 2.5% to 52.3 million hectares and then from MY 04/05 to MY 05/06, area is estimated to decline by 2.5% to 51.0 m ha.

MY 04/05 production exceeded demand, with export performance unexceptional despite the re-introduction of export subsidies for EU wheat after a two year break. The result has been significant quantities of grain offered into official EU intervention as well as increased private stocks. For the MY 04/05 so far through to early May, 13.7 MMT of grain had already been offered into intervention, of which 8.5 MMT was wheat, 3.0 MMT corn and 2.1 MMT barley. The 04/05 campaign has been notable for the significant surplus of grain produced in central Europe, in particular in Hungary. Lacking cheap access to seaports, intervention has been heavily used, already in MY 04/05, over 4 MMT of grain has been offered into Hungarian intervention. However, as this is more than the Hungarian authorities can realistically cope with, so far just 2.0 MMT of this amount has been formally accepted into intervention, with the European Commission granting Hungarian authorities a time extension to assess the outstanding volume of 2 MMT.

With stores full in central Europe some form of Commission policy will be required to alleviate this situation, preferably before the 2005 new crop is harvested, beyond the export tenders from intervention already granted. Options include more aggressive export subsidies, internal market transport subsidies to ship the grain to, for example, Iberia where there is a shortage of feed grains, or alterations to intervention rules which could reduce the quantity of crop eligible to be offered to intervention. No short term respite to the intervention issue is seen given continuing incentives for farmers to produce grain, lack of cheap transport infrastructure to seaports, limited ability to increase central European feed grain usage.

The large build up of stocks will weigh on the MY 05/06 grain market despite considerably increased import requirements for the Iberian Peninsula – feed import requirements are likely to rise there from 10 MMT in 04/05 to nearly 17 MMT in 05/06. The estimates presented in this report are based on these additional needs being met mainly from EU sources, including exports of corn, feed wheat and some barley from central Europe. The EU's 05/06 overall imports are expected to be comparable to previous years, based on traditional imports of high quality wheat from North America, feed quality wheat and barley under tariff rate quotas (TRQ) from the Black Sea region as well as the abatement quota corn imports into Spain and Portugal.

Wheat

PSD Table EU-25, Wheat

Country Commodity	EU-25 Wheat		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2005	
Area Harvested	21882	22,044	23167	23,238	0	22,679
Beginning Stocks	16831	16,553	9497	10,936	0	26,741
Production	106615	106,788	136525	136,567	0	128,425
TOTAL Mkt. Yr. Imports	5912	6,146	5500	5,999	0	6,007
Jul-Jun Imports	5912	6,146	5500	5,999	0	6,007
Jul-Jun Import U.S.	1597	2,022	0	1,753	0	1,808
TOTAL SUPPLY	129358	129,487	151522	153,502	0	161,173
TOTAL Mkt. Yr. Exports	10931	11,117	13500	13,593	0	16,895
Jul-Jun Exports	10931	11,117	13500	13,593	0	16,895
Feed Dom. Consumption	52750	49,038	60000	53,181	0	57,082
TOTAL Dom. Consumption	108930	107,434	116750	113,168	0	118,306
Ending Stocks	9497	10,936	21272	26,741	0	25,972
TOTAL DISTRIBUTION	129358	129,487	151522	153,502	0	161,173

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Wheat –NMS- 10, EU- 15 and EU- 25

1000's MT	2003/2004			2004/2005			2005/2006		
	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25
Area	4961	17083	22044	5333	17905	23238	5286	17393	22679
Beginning Stocks	3149	13404	16553	1566	9370	10936	6500	20241	26741
Production	16284	90504	106788	24772	111795	136567	20969	107456	128425
MY Imports	406	6303	6146	363	6845	5999	275	7362	6007
Jul-Jun Import U.S.	1	2021	2022	1	1752	1753	1	1807	1808
Total Supply	19839	110211	129487	26701	128010	153502	27744	135059	161173
MY Exports	1579	10101	11117	1965	12837	13593	3483	15042	16895
Dom Consumption	16694	90740	107434	18236	94932	113168	18930	99376	118306
o.w. Feed	7343	41695	49038	8183	44998	53181	8620	48462	57082
o.w. FSI	9351	49045	58396	10053	49934	59987	10310	50914	61224
Ending Stocks	1566	9370	10936	6500	20241	26741	5331	20641	25972
Tot Distribution	19839	110211	129487	26701	128010	153502	27744	135059	161173

Production

Wheat Production

1000 MT	03/04	04/05	05/06
France	30,641	39,600	39,590
Germany	19,260	25,427	25,200
United Kingdom	14,288	15,473	16,000
Italy	6,362	8,783	7,000
Spain	6,019	7,108	5,000
Benelux	2,845	3,144	3,175
Austria	1,193	1,719	1,786
Denmark	4,701	4,787	4,700
Finland	679	782	650
Greece	1,280	1,350	1,200
Ireland	794	962	880
Portugal	161	251	105
Sweden	2,036	2,409	2,170
EU15 Total	90,504	111,795	107,456
Cyprus	13	8	10
Czech R.	2,638	5,042	4,500
Estonia	145	185	146
Hungary	2,900	5,800	4,100
Latvia	468	493	458
Lithuania	1,204	1,430	1,200
Malta	5	10	10
Poland	7,858	9,892	8,500
Slovakia	930	1,765	1,905
Slovenia	123	147	140
NMS 10 total	16,284	24,772	20,969
EU-25 Total	106,788	136,567	128,425

Source: FAS EU Posts.

For 05/06, preliminary estimates of EU-25 wheat production are 128.4 MMT, a decline of 5.6%. Area also declines by some 2.5%, from 23.2 hectares in MY 04/05 to 22.7 ha. in MY 05/06. In MY 04/05, the European Commission eased the set-aside limit for one year from 10% to 5% due to the grain shortages experienced in the EU following the drought stricken 03/04 harvest.

The estimate for 05/06 French production of 39.590 MMT (virtually the same as output of 39.600 MMT in 04/05) reflects average yields and a marginal increase in area planted to wheat. It should be noted that low levels of precipitation during the winter left many areas in southern France vulnerable to reduced yields should the summer of 2005 be particularly hot or dry.

In Germany, the UK and the rest of northern Europe, the outlook for the 05/06 crop is average, where there has been reduced rainfall in the winter, this is not expected to have any impact on yields.

In Iberia, serious drought conditions over the winter have led to significant declines in the expected MY 05/06 harvest, down by 30%, or 2.2 MMT, for the entire peninsula, to 5.105 MMT from 7.359 MMT in MY 04/05.

In Italy, there is a significant reduction in the area planted to durum wheat, with the area planted in 05/06 down by 0.5 M ha., or 28%. There are two main reasons for this decline:

- The implementation of the new CAP, establishing fully decoupled payments, including for durum wheat, was adopted in Italy in 2005. Many growers in central and southern Italy preferred to idle their marginal fields, where yields were minimal. A very limited shift to soft wheat and barley took place in the central regions; and
- The low prices reported for durum during MY 04/05, following the record high crop of 2003. Since fall 2004 growers' durum prices averaged some 25 percent less than the previous year.

However, despite the area decline, the 2005 Italian durum crop should reach a level very close to the 2003 record crop, due to the very good weather conditions reported so far (plentiful rains during most of the winter and early spring), while the area cut affected mainly the least productive lands.

In the Czech Republic, for the MY 2005/06 harvest, weather has been very good for winter crops and if it remains favorable in the spring, expectations are of a good crop. The Polish MY 2005/06 wheat crop is forecast to decline 14 percent because of lower yields, the effect of less favorable, more typical weather patterns. Last year's total grain crop of 29.6 MMT was a record high in Poland.

In Hungary, there may be a little switching from higher quality wheat seeds towards lower quality higher yielding wheat varieties. As long as the lower quality varieties still meet the criteria for EU intervention, this could help to maximise a farmer's revenue. This type of effect of adaptation to EU rules and procedures is likely to continue over the coming couple of years in the NMS.

Consumption

Feed use of wheat in MY 05/06 is expected to rise to 57.1 MMT from 53.2 MMT the previous year, replacing barley and other coarse grains.

In the EU-15, grain use for the production of starch and gluten has been steadily trending upwards by about 3-5 percent annually. In the Benelux, wheat has reportedly increasingly being preferred above corn for the production of starch. During the next two seasons, a stabilization of the starch production is anticipated as a result of increased competition from the sugar industry. Expansion of the Benelux ethanol production capacity is not expected to take place before 2006, however in Germany, ethanol plants are already coming on-line, with around 0.75 MMT wheat expected to be used as feedstock during MY 05/06.

Since July 2004, the Dutch and Belgian compound feed industry have used grains at a maximum level; up to 60 percent in both pig and poultry feed. This is mainly due to the good supply of wheat in the EU.

German feed use in MY 04/05 rose by about 600,000 MT, replacing Corn Gluten Feed (not as result of Bt10), pulses, oilcakes, molasses and beet pulp. Grain feed use seems to be up particularly for on farm use.

In the Czech Republic, an excess of grains and limited transport infrastructure prevent easy export of large quantities of grain, some of the domestic grain surplus of 1.8 MMT in MY

04/05 may be burned for use as an energy source in power generation, with Czech energy company, CEZ, reported to be in negotiations to buy low quality wheat for burning.

Trade

EU wheat exports for MY 05/06 are provisionally estimated at 16.9 MMT, based in particular on solid export performance to the traditional destinations for EU wheat in the Mediterranean basin. A Memorandum of Understanding is reported to have been signed between the Chinese grain imports COFCO and France Export Cereals for the purchase of up to 500,000 MT of French wheat. Further details of the deal were not available. While the deal is not reported to be watertight, if it is to take place, it could be squeezed in towards the end of MY 04/05 or more likely during MY 05/06.

EU wheat exports for MY 04/05 are currently estimated at 13.593 MMT, though this figure will require French exports to North Africa to continue at a solid pace. Should French export pace weaken in the last two months of the campaign, the wheat will likely be offered into intervention.

Flour exports continue to be under pressure due to increasing milling in export destinations. While flour exports have increased from the poor performance in 2003/04 when wheat in the EU was highly priced relative to world market, they have not approached the levels seen in 2002/03. For MY 04/05 to date (to late April), 2.1 MMT flour export licenses have been claimed compared to 2.9 MMT in MY 02/03 and 1.6 MMT in MY 03/04 (all figures in wheat equivalents).

EU imports continue to be dominated by the import of wheat under quota from Russia and the Ukraine as well as traditional imports of high quality wheat from North America.

Italian durum imports are forecast to reach 1.3 MMT in 04/05, despite the 2004 record high crop: poor quality (low protein content) of the domestic production pushed the Italian pasta makers to buy large volumes of high quality foreign wheat, especially from Canada, Australia, and, to a lesser extent, the U.S. (desert durum from California and Arizona). As a result (large crop and imports), durum ending stocks are expected to grow significantly, up to 1.5 MMT next June.

Italian bread wheat imports in 2004/05 should remain virtually unchanged at about 5 MMT, but with a significantly growing share from the Black Sea (about 1 MMT). Feed use is expected to increase slightly this year, while in 05/06 it could rise more significantly, following the forecast reduction of domestic corn crop. Limited amounts of durum are also reported for feed use during 04/05, explained by the low average quality of the 2004 crop.

In Poland, forecast wheat imports in MY 2005/06 are estimated to be about 200,000 tons. This is almost the same as the level imported in the current MY 2004/05. Relatively high domestic production and large wheat stocks will result in small imports, almost exclusively durum for pasta production and high quality wheat necessary for blending with local wheat for the baking industry. Imports are anticipated mainly from other EU member states. Wheat exports during MY 04/05 are rather minor. Some wheat was exported early this MY to Algeria and Yemen without any support.

Stocks

Over 8.5 MMT of wheat has already been offered into intervention during MY 04/05 to date, a figure that could easily exceed 10 MMT before the end of the intervention campaign. Of this

wheat, 3.2 MMT is in the NMS-10, notably 1.5 MMT of wheat offered into Hungarian intervention and 0.9 MMT in the Czech Republic.

While the drought reduced crop in MY 03/04 led to reduced wheat stocks across the EU, the banner MY 04/05 harvest and moderate export performance has helped to more than compensate, with stocks estimated to be increasing in MY 04/05 from 10.9 MMT to 26.7 MMT. The outlook for 2005/06 is that stocks will stabilize at these levels to the end of MY 05/06. See the Policy/Intervention section for more discussion on the intervention problems, particularly in central Europe.

Barley

PSD Table EU-25, Barley

Country Commodity	EU-25		EU-25		(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2005	
Area Harvested	13397	13,418	13177	13,052	0	12,860
Beginning Stocks	8232	7,574	3976	5,011	0	11,110
Production	54687	54,772	61670	61,729	0	54,968
TOTAL Mkt. Yr. Imports	700	639	350	350	0	344
Oct-Sep Imports	700	639	350	350	0	344
Oct-Sep Import U.S.	7	0	0	34	0	4
TOTAL SUPPLY	63619	62,985	65996	67,090	0	66,422
TOTAL Mkt. Yr. Exports	2766	2,180	2800	2,704	0	3,300
Oct-Sep Exports	984	2,180	2800	2,704	0	3,300
Feed Dom. Consumption	41020	40,879	38000	38,300	0	37,177
TOTAL Dom. Consumption	56877	55,794	53900	53,276	0	52,494
Ending Stocks	3976	5,011	9296	11,110	0	10,628
TOTAL DISTRIBUTION	63619	62,985	65996	67,090	0	66,422

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Barley –NMS- 10, EU- 15 and EU- 25

1000's MT	2003/2004			2004/2005			2005/2006		
	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25
Area	2811	10607	13418	2696	10356	13052	2638	10222	12860
Beginning Stocks	944	6630	7574	584	4427	5011	1834	9276	11110
Production	8100	46672	54772	9779	51950	61729	8358	46610	54968
MY Imports	627	410	639	579	460	350	550	574	344
Jul-Jun Import U.S.	0	0	0	0	34	34	0	4	4
Total Supply	9671	53712	62985	10942	56837	67090	10742	56460	66422
MY Exports	310	2268	2180	317	3076	2704	490	3590	3300
Dom Consumption	8777	47017	55794	8791	44485	53276	8807	43687	52494
o.w. Feed	6563	34316	40879	6478	31822	38300	6434	30743	37177
o.w. FSI	2214	12701	14915	2313	12663	14976	2373	12944	15317
Ending Stocks	584	4427	5011	1834	9276	11110	1445	9183	10628
Tot Distribution	9671	53712	62985	10942	56837	67090	10742	56460	66422

Production

Barley production in the EU-25 in MY 05/06 is provisionally estimated to decline to 55.0 MMT from 61.8 MMT in MY 04/05. The bulk of this reduction is in Spain, where a drought affected 05/06 crop is forecast at just 6.5 MMT compared to the good harvest of 10.6 MMT recorded in MY 04/05. Marginal area reductions in the UK, France and Germany as well as slightly reduced yield outlooks for 05/06 lead to a smaller barley crop in each of these countries than in MY 04/05: Germany 12.4 MMT (MY 04/05: 13.0 MMT); France: 10.5 MMT (11.0 MMT); UK 5.6 MMT (5.8 MMT).

Prospects for malting barley in France are reported to be good. In Germany, minimal levels of winterkill ensured that area planted to brewing barley dropped 6% with output expected down 14%.

In the NMS, barley production is forecast to decline by 1.4 MMT to 8.4 MMT due to a 2% area decline coupled with yields reverting to a more typical level following the last campaign's high yields. In Hungary, a 17% area decline in winter barley plantings may be offset by expanded spring barley acreage.

Consumption

The decline in barley feed use estimated for MY 05/06 is mainly accounted for by a reduction in Spain where a 1.5 MMT fed barley use decline is due to a the on going drought in Iberia reducing barley availability. In northern Europe, feed quality wheat is reported to be competitively priced against barley.

The closure of three malting plants, will see UK FSI consumption of barley decline correspondingly in MY 05/06. In the north of The Netherlands, a malting plant has been opened with a capacity to transform 165,000 MT of barley, starting with 65,000 MT in 2004/2005. Russia will reportedly be an important growth market for the plant. During MY 04/05, Benelux malt exports increased by more than ten percent and are expected to increase further during the next season. South America has been an important export destination during MY 04/05. Despite the fact that barley prices are at a low level, feed barley use is limited due to the high availability of feed wheat.

Stocks

Some 2.1 MMT of barley has already been offered into intervention so far during MY 04/05, with the bulk, 1.5 MMT, in Germany. Another 1 MMT German barley could be offered into intervention before the end of the marketing year. In MY 05/06, some UK barley could also end up in intervention.

Corn

Country Commodity	EU-25 Corn		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	10/2003		10/2004		10/2005	
Area Harvested	6006	6,033	6370	6,346	0	6,084
Beginning Stocks	4826	4,406	3357	3,287	0	7,187
Production	40052	40,075	53125	52,946	0	47,158
TOTAL Mkt. Yr. Imports	5752	5,783	2500	2,429	0	2,792
Oct-Sep Imports	5752	5,783	2500	2,429	0	2,792
Oct-Sep Import U.S.	170	27	0	29	0	28
TOTAL SUPPLY	50630	50,264	58982	58,662	0	57,137
TOTAL Mkt. Yr. Exports	459	239	500	406	0	679
Oct-Sep Exports	459	239	500	406	0	679
Feed Dom. Consumption	36014	35,955	41300	40,358	0	40,128
TOTAL Dom. Consumption	46814	46,738	52700	51,069	0	50,025
Ending Stocks	3357	3,287	5782	7,187	0	6,433
TOTAL DISTRIBUTION	50630	50,264	58982	58,662	0	57,137

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Corn –NMS- 10, EU- 15 and EU- 25

1000's MT	2003/2004			2004/2005			2005/2006		
	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25
Area	1739	4294	6033	1896	4450	6346	1971	4113	6084
Beginning Stocks	1124	3282	4406	530	2757	3287	3343	3844	7187
Production	7794	32281	40075	12319	40627	52946	10723	36435	47158
MY Imports	716	5788	5783	198	3441	2429	130	4437	2792
Oct-Sep Import U.S.	1	26	27	1	28	29	0	28	28
Total Supply	9634	41351	50264	13047	46825	58662	14196	44716	57137
MY Exports	856	104	239	1465	151	406	2331	123	679
Dom Consumption	8248	38490	46738	8239	42830	51069	8533	41492	50025
o.w. Feed	7306	28649	35955	7113	33245	40358	7411	32717	40128
o.w. FSI	942	9841	10783	1126	9585	10711	1122	8775	9897
Ending Stocks	530	2757	3287	3343	3844	7187	3332	3101	6433
Tot Distribution	9634	41351	50264	13047	46825	58662	14196	44716	57137

Production

For MY 05/06, provisional estimates of EU-25 corn production suggest a 5.7 MMT drop in output to 47.2 MMT. The outlook for MY 05/06 is for smaller crops in both Italy and France. A smaller French crop will reduce availability by around 2 MMT and while feed use is forecast to decline due to expectations of competitive feed wheat supplies, intra EU export availability will also be down.

Italian corn area is forecast to decline by 12% in MY 05/06 due to:

- Full decoupling in the regions where there was still a specific aid per hectare for corn;
- Set-aside back to 10 percent
- Partial shift to sugar beets and soybeans in northern Italy
- Depressed domestic markets, with prices in the recent weeks averaging 30 to 35 percent less than one year ago
- Need of a more significant rotation, in order also to prevent some rootworm attacks ("diabrotica virgifera")

In the NMS, corn output is pegged back to 10.7 MMT for MY 05/06, following MY 04/05's exceptional 12.3 MMT output. In 05/06, the area planted to Hungarian corn is expected to increase marginally, though the 05/06 crop is provisionally estimated to be 6.5 MMT, some 1.7 MMT smaller than in MY 04/05 due to a return to more typical weather conditions. With the current price of corn some EUR 2 to EUR 3/MT higher than milling wheat, corn yields of 8 to 9 MT/hectare compared to 4 to 5 MT/ha. for wheat offer farmers a better return more than offsetting the higher production costs involved.

In My 04/05, Italy recorded a record corn harvest. This helped lead to lower domestic prices, substantial ending stocks as well as limiting imports from locations such as Hungary. In France, a good crop also led to higher feed use and with the Hungarian corn surplus weighing on French corn prices. The central European corn crop, and Hungarian in particular, in MY 04/05 was excellent, with output increasing by over 50% to exceed 12 MMT.

Poland has only limited production of corn because of the short growing season. However, since CY 1996, corn area and production have grown rapidly in Poland. The area is six times as large and production is seven times as much as compared to 1996 levels. Attractive corn prices and the introduction of early varieties (shorter growing season varieties) encouraged larger planting area and a resultant production increase. While production has risen, Polish climatic conditions continue to impede substantial long-term increases. MY 05/06 corn output in Poland is provisionally estimated at a record 2.5 MMT, with area planted to corn increasing 4% to 430,000 hectares.

Consumption

In MY 04/05, due to the good availability of the EU corn crop, the use of corn in animal feeds, mainly poultry feed, has been at a high level.

In Italy, in terms of total supply in 2005/06 the expected reduced crop from the record high level of 2004 will be partially offset by the unusually large beginning stocks, as well as larger imports from both France and Hungary. Feed use remains stable at about 10 MMT, in line with static consumption from the domestic livestock industry.

Trade

With this year's drought in Spain and Portugal, Iberian feed grain import requirements could rise by as much as 7 MMT to reach 17 MMT. Typically, Spain and Portugal have imported 1.9 MMT and 0.5 MMT of corn respectively under the abatement quotas dating from these countries accession to the EU in the mid-1980's. It is possible that Hungarian corn, a product that Spanish feed companies are reported to be comfortable with, could replace some of these abatement quota imports depending on market conditions.

While increased corn exports to the rest of the EU provided some relief for the Hungarian corn market in MY 04/05, a great portion of (intervention) grain stocks will remain in the country until the 2005 harvest. The most crucial time will be in September-October, 2005 when corn and sunflower harvest starts. If market conditions improve, MY 05/06 grain exports of Hungary may be far above the current campaign's 1.75 MMT, to perhaps 2.5 MMT.

In case of improving demand (in the EU and extra-EU) the infrastructure for grain transport (loading, transport) could be a limiting factor to trade. While the Hungarian government plans to update ports, railway access and facilities on the Danube river, currently railway car availability and a low water level on Danube may also limit exports of grains. Ambitious storage investments are also expected, adding between 0.7 MMT to 1.5 MMT, though these are only likely to be completed in the next two to three years.

Stocks

Over 2.4 MMT of corn has already been offered into intervention in Hungary, as well as an additional 0.2 MMT in Slovakia. It will be interesting to see what approach the Commission decides to take concerning the build up of corn intervention stocks in central Europe.

Rye

Country Commodity	EU-25 Rye		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2005	
Area Harvested	2572	2,568	2780	2,748	0	2,591
Beginning Stocks	6061	6,223	3064	3,967	0	3,440
Production	6931	6,904	10020	9,958	0	8,430
TOTAL Mkt. Yr. Imports	76	105	50	23	0	30
Oct-Sep Imports	42	105	50	23	0	30
Oct-Sep Import U.S.						
TOTAL SUPPLY	13068	13,232	13134	13,948	0	11,900
TOTAL Mkt. Yr. Exports	626	509	650	516	0	800
Oct-Sep Exports	452	509	650	516	0	800
Feed Dom. Consumption	5137	4,201	5450	5,094	0	3,572
TOTAL Dom. Consumption	9378	8,756	9850	9,992	0	8,864
Ending Stocks	3064	3,967	2634	3,440	0	2,236
TOTAL DISTRIBUTION	13068	13,232	13134	13,948	0	11,900

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Rye –NMS- 10, EU- 15 and EU- 25

1000's MT	2003/2004			2004/2005			2005/2006		
	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25
Area	1710	858	2568	1805	943	2748	1742	849	2591
Beginning Stocks	494	5729	6223	155	3812	3967	553	2887	3440
Production	3720	3184	6904	5113	4845	9958	4210	4220	8430
MY Imports	78	66	105	25	185	23	20	35	30
Jul-Jun Import U.S.	0	1	1	0	1	1	0	0	0
Total Supply	4292	8979	13232	5293	8842	13948	4783	7142	11900
MY Exports	18	530	509	178	525	516	5	820	800
Dom Consumption	4119	4637	8756	4562	5430	9992	4447	4417	8864
o.w. Feed	1782	2419	4201	2092	3002	5094	1962	1610	3572
o.w. FSI	2337	2218	4555	2470	2428	4898	2485	2807	5292
Ending Stocks	155	3812	3967	553	2887	3440	331	1905	2236
Tot Distribution	4292	8979	13232	5293	8842	13948	4783	7142	11900

Following the low price of German rye in the second half of 2004 of around EUR 65-70/MT, area planted for the 05/06 harvest fell by 10%. Low prices also stimulated feed use, rising in Germany in MY 04/05 to 1.6 MMT from 1.3 MMT in MY 03/04, as well as seeing increased exports of rye for feed use to the Netherlands. Prices in Poland also slipped to around EUR 58-74 encouraging some limited exports of rye to EU markets.

However in MY 05/06, German exports of rye to the EU internal market are expected to fall off due to both the decreased availability as well as additional demand for rye in eastern Germany for use as feedstock in bio-ethanol production. In 05/06, around 800,000 MT rye is expected to be used for bio-ethanol, with eventually 1.5 to 1.6 MMT of grain (likely either wheat or rye) being used by the plants once they become fully operational.

There are still significant intervention stocks of rye held in Germany, around 2.4 MMT to the end of March out of 2.66 MT held across the entire EU. It remains to be seen how the Commission will try and release these stocks, the mostly likely route being via export tenders, though it is also possible that the Commission could release some of the rye at below intervention prices (EUR 101/MT) on EU markets too.

Sorghum

Country Commodity	EU-25 Sorghum		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2005	
Area Harvested	98	102	87	89	0	107
Beginning Stocks	40	57	31	24	0	21
Production	380	405	478	493	0	568
TOTAL Mkt. Yr. Imports	1587	1,509	225	237	0	237
Oct-Sep Imports	1172	1,509	225	237	0	237
Oct-Sep Import U.S.	726	872	0	121	0	125
TOTAL SUPPLY	2007	1,971	734	754	0	826
TOTAL Mkt. Yr. Exports	6	6	5	3	0	5
Oct-Sep Exports	4	6	5	3	0	5
Feed Dom. Consumption	1958	1,922	710	704	0	768
TOTAL Dom. Consumption	1970	1,941	725	730	0	795
Ending Stocks	31	24	4	21	0	26
TOTAL DISTRIBUTION	2007	1,971	734	754	0	826

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.
Source: FAS EU Posts, not official FAS data.

Oats

Country Commodity	EU-25		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2004	
Area Harvested	2911	2,905	2767	2,684	0	2,662
Beginning Stocks	1010	929	866	820	0	879
Production	8655	8,623	8650	8,728	0	7,743
TOTAL Mkt. Yr. Imports	11	3	10	0	0	0
Oct-Sep Imports	11	3	10	0	0	0
TOTAL SUPPLY	9676	9,555	9526	9,548	0	8,622
TOTAL Mkt. Yr. Exports	534	494	500	448	0	336
Oct-Sep Exports	443	494	500	448	0	336
Feed Dom. Consumption	6583	6,650	6400	6,721	0	6,143
TOTAL Dom. Consumption	8276	8,241	8080	8,221	0	7,642
Ending Stocks	866	820	946	879	0	644
TOTAL DISTRIBUTION	9676	9,555	9526	9,548	0	8,622

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Swedish and Finnish oat production is expected to decline in MY 2005/06 to a combined output of 1.843 MMT from 1.931 MMT in MY 04/05. Across the EU-25 as a whole, oat production in MY 05/06 is expected to decline by 1 MMT to 7.7 MMT. Oat prices have declined by between 5% to 7% in Scandinavia which has reduced the relative profitability of oat production. Uncertainties created by the CAP Reform are also leading to reduced plantings of all spring crops in Sweden.

Lower oats availability is likely to lead to reduced extra-EU exports, these are provisionally estimated at 336,000 MMT for 05/06, down from 450,000 MT for MY 04/05.

Mixed Grain

Country Commodity	EU-25 Mixed Grain					
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2003		07/2004		07/2005	
Area Harvested	3600	3,910	3610	4,108	0	3,977
Beginning Stocks	541	841	229	335	0	1,444
Production	11688	12,291	14720	16,222	0	14,261
TOTAL SUPPLY	12229	13,168	14949	16,572	0	15,731
Feed Dom. Consumption	11300	12,172	12900	14,425	0	14,054
TOTAL Dom. Consumption	12000	12,834	13600	15,127	0	14,769
Ending Stocks	229	335	1349	1,444	0	962
TOTAL DISTRIBUTION	12229	13,168	14949	16,572	0	15,731

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.
Source: FAS EU Posts, not official FAS data.

Rice

Country Commodity	EU-25 Rice		(1000 HA)(1000 MT)			
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	09/2003		09/2004		09/2004	
Area Harvested	409	407	417	426	0	418
Beginning Stocks	960	703	969	783	0	807
Milled Production	1723	1,719	1876	1,864	0	1,803
Rough Production	2754		2998		0	
MILLING RATE (.9999)	6257		6257		0	
TOTAL Imports	1020	1,135	1000	938	0	951
Jan-Dec Imports	1000	1,135	1050	938	0	951
Jan-Dec Import U.S.	0	263	0	255	0	262
TOTAL SUPPLY	3703	3,557	3845	3,585	0	3,561
TOTAL Exports	225	204	250	159	0	163
Jan-Dec Exports	225	204	300	159	0	163
TOTAL Dom. Consumption	2509	2,570	2529	2,618	0	2,607
Ending Stocks	969	783	1066	807	0	791
TOTAL DISTRIBUTION	3703	3557	3845	3584	0	3561

With area payments for rice still partially coupled to production, little change is expected to the area planted to rice, which remains close, or slightly exceeds the maximum guaranteed area (area eligible for support). In Italy, area is projected to decline only slightly, by 1%. Prices for paddy rice have remained well above the new intervention price of EUR 150 due to solid demand in the EU, particularly from the NMS, for example with the Italian paddy price averaging EUR 190 to EUR 200 in MY 04/05.

Rice –NMS-10, EU-15 and EU-25

1000's MT	2003/2004			2004/2005			2005/2006		
	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25	NMS 10	EU-15	EU-25
Area	3	404	407	3	423	426	3	415	418
Beginning Stocks	8	695	703	17	766	783	5	802	807
Prod'm, milled	7	1712	1719	8	1856	1864	7	1796	1803
MY Imports	283	945	1135	245	887	938	255	919	951
MY Import U.S.	13	250	263	3	252	255	4	258	262
Total Supply	298	3352	3557	270	3509	3585	267	3517	3561
MY Exports	2	295	204	2	351	159	1	385	163
Dom Consumption	279	2291	2570	263	2355	2618	261	2346	2607
Ending Stocks	17	766	783	5	802	807	5	786	791
Total Distribution	298	3352	3557	270	3508	3584	267	3517	3561

The impact of the addition of the 10 New Member States on rice trade can be clearly seen – whereas prior to enlargement, the main rice imports came from Asian origins such as Vietnam, Thailand and India, usually lower quality milled rice for price sensitive consumers. Since enlargement, with the NMS adopting the EU tariff, imports have switched to largely European origins, particularly Italy. In Poland, this has led to higher prices, as a result consumption is estimated to have declined around 10% to 90,000 MMT per year.

Thus enlargement has presented an excellent opportunity for the Italian rice sector. Exports to third countries, on the contrary, are declining due to both reduced food aid programs and the lack of EU export restitutions to the Mediterranean basin.

Since September 1, 2004, with the introduction of the new rice regime, EU import tariffs for brown rice have been EUR 65/MT and for milled rice EUR 175/MT. Following prolonged negotiations, the European Commission and the United States agreed to a mechanism which bases the brown rice tariff based on import licenses used every six months. On September 1 and March 1, the European Commission will calculate the new brown rice import duty which can either be reduced to EUR 30, EUR 42.5 or remain at EUR 65.

This agreement has yet to be approved by the Council and published in the Official Journal, but it is expected that for the period March 1 2005 to August 31, 2005 that the Commission will announce that brown rice imports into the EU face a tariff of EUR 42.5. For imports that have already taken place between March 1 and whenever the Agreement could be published in the Official Journal (possibly in early June, assuming that it is approved by the May 30 2005 Agriculture Council), then the difference between the tariff paid (EUR 65) and the new lower tariff (EUR 42.5) should be reimbursed to the importer. See GAIN Report E35041 for more details. It is not yet clear how the Commission might respond to requests from Thailand to reduce the milled rice import tariff.

Feed Use

		02/03	03/04	04/05	05/06
EU-15	Wheat	48671	41695	44998	48462
	Barley	31931	34316	31822	30743
	Corn	32628	28649	33245	32717
	Others	14042	14453	15154	12768
	Total	127272	119113	125219	124690
NMS-10	Wheat	9029	7343	8183	8620
	Barley	6914	6563	6478	6434
	Corn	7497	7306	7113	7411
	Others	11665	10494	11790	11769
	Total	35105	31706	33564	34234
EU-25	Wheat	57700	49038	53181	57082
	Barley	38845	40879	38300	37177
	Corn	40125	35955	40358	40128
	Others	25707	24947	26944	24537
	Total	162377	150819	158783	158924

For MY 05/06 increased use of wheat as feed is predicted, offsetting declines in barley, rye and mixed grain availability.

In the Benelux, during MY 04/05, feed use of soybean meal has been at a low level, about 5 percent in pig and cattle feed, and 10 percent in poultry feed. During the new season, use of soybean meal could recover depending on the crop in South America. Soybean meal has partly been replaced by lysine, peas and rapeseed meal. Rapeseed meal is increasingly used due to the growing crushing of rapeseed for biodiesel. During MY 04/05, rapeseed meal has been a competitive source of protein but prices could increase to the high demand. If rapeseed meal prices increase, demand for corn gluten feed is expected to increase. Use of Sunflower meal is limited due to the low production. Consumption of tapioca has dropped significantly and is currently solely used in pig feed at a ratio of about 5 percent. Next season, EU tapioca consumption is not expected to recover as the Thai production is limited and most of the production is expected to be exported to China.

Feed Developments in Hungary, Poland and the Czech Republic:

Polish feed grain consumption in MY 2005/06 is forecast to increase about seven percent compared to MY 2004/05. Forecast demand for feed should increase as a result of a significant increase in poultry production and an expected increase in swine inventories and pork production. Pork production is lower in current MY but will undoubtedly increase in MY 2005/06, stimulated by increased slaughter pork prices and increased production profits because of cheap grains. This is partly the result of larger exports to EU-25 member states. Pork production declined during the first half of CY 2005, but is expected to increase in the second half of the year. Swine numbers are forecasted to be 7 percent higher at the end of 2005. Additionally it is expected that the prevailing upward trend in poultry production will result in a 7 percent increase in broiler production and a 4 percent increase in turkey production. In response to an upward trend in pork and poultry production farmers are willing to store grain because they foresee increased demand and higher prices.

Total Polish commercial feed production in CY 2004 increased to 5.5 MMT, up 2 percent from the CY 2003 level. In addition an increase of almost 5 percent in commercial feed production is forecasted for CY 2005. Of the total commercial feed production (5.5 MMT) in 2004, compound feed production was 4.9 million tons, up 2% and concentrated protein feed production was 545,000 tons (used mainly in hog production), level similar to CY 2003. Concentrated protein feeds are used in hog production to be mixed with on-farm feed components.

In Hungary, little more than a moderate increase in the pattern of feed use could be expected in the coming campaign despite the widespread availability of feed grains. Poultry production is expected to be static in MY 05/06 with further declines in pig output also possible, as well as reduced output from feed mills expected, with production possibly falling as low as 3.8 MMT in 2005 from 4.8 MMT in 2003. This could be offset by increased substitution at the farm level of protein feeds by domestic feed grains. Also intervention prices are also acting to keep feed grain prices (or at least expectations) high.

In the Czech Republic, higher use of grains in feed mixtures is not a solution for grain overproduction. Livestock numbers have been decreasing (lower meat consumption, higher milk efficiency) and will not increase. Compound feed mixes are unlikely to see anything more than a marginal increase in grain incorporation.

Intervention**EU Intervention Stocks, 2004/05**

MT	Total	Wheat	Barley	Rye	Corn	Sorghum
Beginning Stocks	3,637,077	193,687	110,919	3,332,471	0	0
New Grains, total	12,886,413	7,782,269	2,089,389	0	3,012,314	2,440
Of which Offered	5,923,999	4,069,213	341,318	0	1,511,028	2,440
Of which Accepted	6,962,414	3,713,056	1,748,071	0	1,501,286	0
Disposals	1,411,365	801,351	191,996	418,018	0	0
Of which exports	1,346,121	777,530	191,906	376,685	0	0
Balance	15,112,125	7,174,605	2,008,312	2,914,453	3,012,314	2,440

Data to April 24, 2005.

Source: European Commission

Note: Grain is offered into intervention, then it is either accepted or rejected. Not all grain offered will necessarily be accepted into intervention, if the grain fails to meet the criteria set out.

Note: Balance is beginning stocks plus total new grains, minus disposals.

In the Spring of 2005, in order to help alleviate the pressures created by the influx of grain into central European intervention stores, the European Commission announced export tenders from intervention stores for Austria (80,633 MT), Hungary (320,000 MT), Poland (93084 MT), and the Czech Republic (300,000 MT). Effectively the Commission subsidizes the transport cost of shipping the grain to sea port from these land-locked countries.

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Apr 25 2005 | Slovakia | LO5003 [Grain Update--Spring Planting Targets](#)

Highlight: Sowing area for spring barley in 2005 is set at 208,000 hectares. Sowing area for spring wheat is expected at 11,300 hectares, representing an increase of 300 ha from 2004. Oat production in Slovakia has been on the rise since 2000 and is expected to continue with 25,000 hectares sown in 2005. Sowing area for corn is expected to increase with plantings at 150,000 hectares in 2005. The Ministry of Agriculture recommends a minimum sowing area of 15,000 hectares for peas. Peas are an important feed crop in Slovakia.

Mar 2 2005 | EU-25 | E35041 [EU and US agree on new EU brown rice import tariff scheme](#)

Highlight: The US and EU have agreed on modifications to the EU's import regime for brown rice. Should EU imports of brown rice remain similar to historical levels, the import tariff will be cut from EUR 65 (per metric ton) to EUR 42.5. If trade levels drop then the tariff will be lowered to EUR 30. Should there be a substantial increase in EU imports then the tariff could revert to the current EUR 65. EU import levels will be assessed once every six months in March and September. The EU still has to approve the agreement for it to enter into force. USTR expects the agreement to enter into force retroactively on March 1, 2005.

Feb 16 2005 | Germany | [GM5008 Grain Production Forecast 2005](#)

Highlight: FAS Bonn forecasts the German grain crop for 2005 at 49.5 MMT, almost as high as in 2004. Since domestic demand is not foreseen to change significantly, exports in MY 2005/06 will have to rise or stocks will build up. Some additional domestic demand may arise from the use of grains for energy production, fuels and gas.

Feb 15 2005 | Czech Republic | EZ4017 [Crop Situation Update](#)

Highlight: This year's weather conditions are favorable for Czech grain production in MY 2004/05. After a significant drop last year, production should return to MY 2002/03 levels with total grain production of 6.5 million MT and wheat production at 3.6 million MT. However, barley and rye areas are smaller and production will be lower this year compared to MY 2003/04 with barley production at 1.8 million MT and rye production at 109 thousand MT. Corn production will be 631,000 MT, a 32% increase.

Feb 7 2005 | Italy | IT5004 [Italy Wheat Update](#)

Highlight: Italy continues to be among the world's most important wheat importing countries, reaching the top position in 2001/02. This report looks at wheat trade, production and wheat milling with discussion of differences among Italy's north, central and southern regions.

Jan 24 2005 | EU-25 | E35011 [EU to use wheat export subsidies](#)

Highlight: The European Commission has announced that it will begin using export subsidies for wheat during the remaining five months of the 2004/05 Marketing Year (MY). This week, the EU launched a procedure so that up to 2 MMT of wheat could receive export subsidies. This move follows growing market and political pressure for wheat export subsidies following the large 2004 harvest and building EU grain intervention stocks as well as EU wheat's weak competitive position in key North African markets.

EU-25 | E34100 EU Grain [Semi-Annual](#)

Highlight: With a banner grain harvest of 285 MMT across the EU-25, domestic grain supplies are considerably higher than domestic feed and food requirements. This has led to depressed prices on the EU market. However, with the Euro rising against the US Dollar, the export outlook for EU grains is not spectacular, particularly with the European Commission having only granted export subsidies for barley so far during MY 04/05. While EU imports for all grains are expected to be limited, there remains a good market for traditional high protein wheat imports from North America.